



**Colorado  
Legislative  
Council  
Staff**

**HB16-1371**

**FINAL  
FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-1050  
**Prime Sponsor(s):** Rep. Kagan  
Sen. Kefalas

**Date:** July 6, 2016  
**Bill Status:** Postponed Indefinitely  
**Fiscal Analyst:** Kate Watkins (303-866-3446)

**BILL TOPIC:** MULTIPLE METHODS FOR RECEIPT OF INCOME TAX REFUNDS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018	FY 2018-2019
<b>State Revenue</b>			
<b>State Expenditures</b>	<b><u>\$91,469</u></b>	<b><u>\$56,404</u></b>	<b><u>\$33,751</u></b>
General Fund	86,356	44,353	26,865
Centrally Appropriated Costs	5,113	12,051	6,886
<b>FTE Position Change</b>	0.3 FTE	0.7 FTE	0.4 FTE
<b>Appropriation Required:</b> \$86,356 - Department of Revenue (FY 2016-17).			
<b>Future Year Impacts:</b> Decreasing state expenditures over time.			

**NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.**

**Summary of Legislation**

The bill allows taxpayers to determine how they receive their income tax refunds. Beginning with tax year 2016, the Department of Revenue (DOR) is required to provide taxpayers the opportunity to split their tax refund among up to four of the following methods:

- 1) paper check;
- 2) direct deposit into one or more savings accounts;
- 3) direct deposit into one or more checking accounts; and
- 4) direct deposit to one or more CollegenInvest savings accounts.

**Background**

Currently, taxpayers may elect to receive income tax refunds via paper check or through either a savings account, checking account, or CollegenInvest savings account, but may not split their refund among these methods. Under Section 529 of the federal Internal Revenue Code (IRC), taxpayers may establish a "529" college savings plan for which investment earnings and withdrawals for qualified higher education expenses are excluded from federal taxable income. These 529 plans are administered at the state level. CollegenInvest, which is a statutory public entity of the state, manages Colorado's program.

**State Expenditures**

**This bill will increase state General Fund expenditures by \$91,469 and 0.3 FTE for FY 2016-17, \$56,404 and 0.7 FTE for FY 2017-18, and \$33,751 and 0.4 FTE in FY 2018-19 for the DOR.** Costs include personal services, operating expenses, programming, testing, form change, and document management costs, as summarized in Table 1 and explained below. State expenditure increases required by this bill will be limited to document management costs beginning in FY 2019-20.

<b>Cost Components</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Personal Services	\$13,061	\$35,178	\$17,414
FTE	0.3 FTE	0.7 FTE	0.4 FTE
GenTax Programming	56,000		
GenTax Testing	7,677		
Form Change Costs	1,200		
Document Management Costs	8,418	9,175	9,451
Centrally Appropriated Costs*	5,113	12,051	6,886
<b>TOTAL</b>	<b>\$91,469</b>	<b>\$56,404</b>	<b>\$33,751</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

**Department of Revenue.** In FY 2014-15, DOR issued 1,663,610 income tax refunds to Colorado taxpayers. This fiscal note assumes that 10 percent, or 166,631 tax payers will elect to distribute refunds to multiple accounts. In the first two tax years following implementation, 5 percent of these taxpayers are expected to contact the department call center with inquiries as a result of this bill. This will require an allocation of 0.3 FTE in FY 2016-17, 0.7 FTE in FY 2017-18, and 0.4 FTE in FY 2018-19.

This bill requires changes to DOR's GenTax software system. Changes are programmed by a contractor at a rate of \$200 per hour. The changes in this bill are expected to increase General Fund expenditures by \$56,000 representing 280 hours of programming. GenTax testing for this bill will require the expenditures for contract personnel totaling \$7,677, representing 320 hours of testing at a rate of \$24 per hour.

**Personnel and Administration.** Scanning and imaging software will require modification to implement changes under the bill. This bill will require a new schedule for filers opting for refunds to multiple accounts, requiring \$1,200 in form change costs in FY 2016-17. The new schedule is also expected to increase document management costs for paper filers and taxpayers who mail in documentation at a cost of \$8,418 in FY 2016-17. This amount will grow with the population of filers. Funds for form change and document management costs will be reappropriated from DOR to the document management line for DPA.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

<b>Table 2. Centrally Appropriated Costs Under HB16-1371</b>			
<b>Cost Components</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$2,400	\$5,600	\$3,200
Supplemental Employee Retirement Payments	1,093	2,671	1,526
Leased Space	1,620	3,780	2,160
<b>TOTAL</b>	<b>\$5,113</b>	<b>\$12,051</b>	<b>\$6,886</b>

### Effective Date

This bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on May 5, 2016.

### State Appropriations

In FY 2016-17, the Department of Revenue will require a General Fund appropriation of \$86,356 and an allocation of 0.3 FTE. Of this amount, the Department of Personnel and Administration requires \$9,618 in reappropriated funds.

### State and Local Government Contacts

Higher Education  
Revenue

Information Technology

Personnel and Administration